



External Trade Agreements: Main challenges for sugar

Sectoral Social Dialogue Committee on
Sugar

26.2.2010





OVERVIEW

2009/10 and onwards: challenges for sugar in
Trade Agreements

- ü WTO negotiations

- ü Free Trade Agreements

WTO negotiations: *What happened in 2009*

- The year 2009: technical advances but no true political engagement to conclude negotiations
- Ministers of 153 World Trade Organisation (WTO) Countries met in Geneva from 31.11-2.12 2009
- Main outcomes during the Ministerial meeting:
 - ü Confirm by Ministers of “need to conclude the Round in 2010”
 - ü Senior Officials continue to work towards the 2010 objective : different meetings scheduled in February/March
 - ü Last week of March 2010 reserved for stock-taking exercise and assess whether 2010 remains feasible

WTO negotiations:

Agreement on Bananas/Tropical Products/Preference Erosion

- Main outcomes during the Ministerial meeting:
 - ü Agreement on long standing controversial on Bananas imports into the EU among EU/Latin America/ACP/US/Brazil
 - ü For sugar, agreement among EU/Latin America/ ACPs on the treatment in Doha Development Agenda (DDA) negotiations on Preference Erosion and Tropical products

WTO negotiations:

Agreement on Bananas/Tropical Products/Preference Erosion

- If sugar is not treated as sensitive there will be an **8 year period to apply** the 70% cut of the duty (first 2 years no cuts will take place)
- If sugar is treated as sensitive a **7 year period to apply** the reduced duty cut and the TRQ expansion
- **Sugar and products containing more than 30% of sugar should be excluded from the Tropical Products list**=>this would permit to avoid a higher tariff reduction
- In the context of Free Trade Agreements EU agreed to grant quotas **to Latin American countries!!**

Main messages to be kept in mind by the EU Commission

1. The outcome of the WTO negotiations for sugar needs to be compatible with the existing Sugar Regime reform and should not pre-empt the next Sugar Regime
2. The Special Safeguard Clause (SSG) represents a unique tool for the sugar sector in relation to:
 - Variability of world sugar prices (which is higher than for other agricultural commodities)
 - Foreign exchange fluctuations (dollar/euro).

Accordingly the maintenance of the instrument of the SSG for as long as possible after the end of the current sugar regime remains crucial for the sugar industry

Challenges for the EU Sugar Industry

- § The main negotiating issues for sugar seem for the moment settled: Special Safeguard Clause (SSG), Tropical Products, Preference Erosion...
- § Avoid that in next negotiating steps the package for sugar is weakened
- § Conclusion in 2010 seems difficult mainly due to the US lack of political will
- § With a deal in 2011 starting of application to sugar 2012/213?
- § No decision yet necessary on sugar to be treated as Sensitive or not

Free Trade Agreements (FTAs) :

Main FTAs which could affect sugar

Countries/Region	Treatment of sugar and products with high sugar content:	Timetable of negotiations
Andean Community:		
Colombia and Peru	<u>Tariff Rate Quota (TRQ):</u> More than 100 00 t offered+ annual increase (84 000t sugar+30 000 high sugar content)	Well advanced-Political objective to conclude during the Spanish Presidency
Ecuador	<u>TRQ: ?</u>	Just back in negotiations-Well advanced-Political objective to conclude during the Spanish Presidency
Bolivia, and Venezuela	<u>TRQ: ?</u>	For the moment suspended
Central America: Guatemala, Costa Rica, El Salvador, Honduras, Nicaragua, Panama	<u>TRQ:?</u>	Just resumed after the “coup d’etat” in Honduras- Well advanced-Political objective to conclude during the Spanish Presidency
Ukraine	For the moment sugar excluded Risk of TRQ	Objective to conclude in 2011
India	For the moment sugar excluded Risk of TRQ	Objective to conclude in 2011
Mercosur: Argentina ,Brazil ,Paraguay Uruguay	Huge requests on sugar by countries of the region mainly Brazil	For the moment suspended



Free Trade Agreements (FTAs)

- EU currently negotiating 11 FTAs with single countries or region of the world (concluded with Egypt/Israel/Morocco)
- Main objective: Maintain the new EU quota sugar market equilibrium put in place as a consequence of the reform
- Any additional concession granted, through bilateral, regional or multilateral negotiation – might endanger the sustainability of the sugar CMO and have substantial impact on production and therefore employment.
- Any concession would damage the EU development goals already perused with the Economic Partnership Agreements (EPAs) and EBA provisions which give preferential access to ACPs and LDCs



REVISION OF GSP RULES OF ORIGIN

**STATE OF PLAY
26 FEBRUARY 2010**



REVISION OF GSP RULES OF ORIGIN COMING TO AN END

TIMETABLE

- The last debate of the Customs Code Committee took place Mid January.
 - Currently : last interservice consultation
 - Then : last verification by the juridical services
 - **Adoption expected around April**
- => Implementation foreseen : 1.1.2011**



CEFS REQUESTS WERE GLOBALLY MET

MIXING OF SUGAR Flavouring

considered as a minimal operations never conferring the origin

REFINING CANNOT CONFER THE ORIGIN

- . *change in 4 digit heading requested*
- . *In case of cumulation, a specific Annex prevents from regional cumulation between and LDC and a non LDC large sugar producing country*

COLOURED AND FLAVOURED SUGARS

*in which up to 40 % of non originating sugars could be added
are no longer included in the list of sufficient processing
(thus only subject to 15 % of non originating sugars in weight).*





FURTHER OUTCOME

CALCULATION OF TOTAL SUGARS

*In case a threshold of non originating sugars is applying
the calculation of total sugars will include the different sugars*

+

*the sugars comprised in the manufacture of
materials incorporated in the final product*

*The decrease of the threshold of non originating sugars from 40 % to
30 % for some other products containing sugar was not granted
since the*

*40 % threshold was already considered as a difficult compromise
between DGs.*

*The effect is however reduced thanks to the other different positive
results obtained. In chapter 17, this only applies to 1704 (sugar
confectionery)*



REVISION OF GSP RULES OF ORIGIN FINAL STAGE

If, as hoped, the Commission proposal is adopted without further change

the revised GSP rules of origin should be reasonably safe for the sugar industry...